STRYKER CORP
Form 424B5
January 12, 2010
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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

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Subject to Completion

Preliminary Prospectus Supplement Dated January 12, 2010

PROSPECTUS SUPPLEMENT

(To prospectus dated January 12, 2010)

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STRYKER CORPORATION

$ % Notes due 2015

$ % Notes due 2020

We are offering for sale two series of notes consisting of $ aggregate principal amount of % notes due 2015 (the 2015 notes) and $ aggregate principal amount of % notes due 2020 (the 2020 notes and, together with the 2015 notes, the notes). We will pay interest on each series of notes on and of each year, beginning , 2010. The 2015 notes will mature on , 2015 and the 2020 notes will mature on , 2020.

We may redeem the notes of either series prior to maturity, any time in whole or from time to time in part, at the applicable redemption prices described in this prospectus supplement under Description of the Notes Optional Redemption. If a change of control repurchase event as described in this prospectus supplement under the heading Description of the Notes Repurchase at the Option of Holders Upon Change of Control Repurchase Event occurs, we will be required to offer to purchase the notes from the holders.

The notes will be our senior unsecured obligations and will rank equally with our other existing and future senior unsecured indebtedness. The notes will be issued only in registered form in minimum denominations of $2,000 and integral multiples of $1,000 above that amount.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

Investing in the notes involves risks that are described under Risk Factors beginning on page S-9 of this prospectus supplement.

	Per 2015 note	Total	Per 2020 note	Total
Public offering price (1)	%	$	%	$
Underwriting discount	%	$	%	$
Proceeds, before expenses, to us (1)	%	$	%	$

(1) Plus accrued interest, if any, from , 2010.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*, on or about , 2010.

Joint Book-Running Managers

BofA Merrill Lynch **Barclays Capital** **Wells Fargo Securities**

The date of this prospectus supplement is January , 2010.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which contains the terms of this offering of notes. The second part is the accompanying prospectus dated January 12, 2010, which is part of our Registration Statement on Form S-3.

This prospectus supplement may add to, update or change the information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with information in the accompanying prospectus, the information in this prospectus supplement will apply and will supersede the information in the accompanying prospectus.

It is important for you to read and consider all information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in Where You Can Find More Information in the accompanying prospectus.

No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this prospectus supplement and the accompanying prospectus, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date of this prospectus supplement, or that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is correct as of any time subsequent to the date of such information.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the notes in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or the underwriters or any of them, to subscribe to or purchase any of the notes, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. See Underwriting.

Unless otherwise stated or the context otherwise requires, as used in this prospectus supplement, the words we, us, our, the Company, or Stryk refer to Stryker Corporation and its consolidated subsidiaries.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us and this offering. It does not contain all of the information that may be important to you in deciding whether to purchase notes. We encourage you to read the entire prospectus supplement, the accompanying prospectus and the documents that we have filed with the Securities and Exchange Commission that are incorporated by reference herein.

Our Company

We are one of the world s leading medical technology companies with the most broadly based range of products in orthopaedics and a significant presence in other medical specialties. Stryker works with respected medical professionals to help people lead more active and more satisfying lives.

We segregate our operations into two reportable business segments: Orthopaedic Implants and MedSurg Equipment.

The Orthopaedic Implants segment sells orthopaedic reconstructive (hip, knee and shoulder), trauma, craniomaxillofacial and spinal implant systems; and the bone growth factor OP-1. Orthopaedic Implants are designed and manufactured by Stryker Orthopaedics, Stryker Osteosynthesis, Stryker Spine and Stryker Biotech.

The MedSurg Equipment segment sells surgical equipment and surgical navigation systems; endoscopic and communications systems; and patient handling and emergency medical equipment. These products are designed and manufactured by Stryker Instruments, Stryker Endoscopy and Stryker Medical. The segment also sells reprocessed and remanufactured medical devices. The reprocessing and remanufacturing of medical devices is performed by Ascent Healthcare Solutions.

We have business operations in over 120 countries, with 21 manufacturing facilities spread around the world, and we have approximately 18,500 employees.

Stryker was incorporated in Michigan in 1946 as the successor company to a business founded in 1941 by Dr. Homer H. Stryker, a leading orthopaedic surgeon and the inventor of several orthopaedic products.

Recent Developments

Expected 2009 Results

On January 12, 2010, we announced our expected financial results for our fourth quarter and year ended December 31, 2009. Our expected financial results are set forth below.

Because the financial statements for our fourth quarter and year ended December 31, 2009 have not yet been finalized, information regarding these periods is subject to change and actual results for these periods may differ materially from these expected results.

Net sales were $1,834 million for the fourth quarter of 2009, representing a 6.8% increase over net sales of $1,718 million for the fourth quarter of 2008, and were $6,723 million for the year ended December 31, 2009, representing a 0.1% increase from net sales of $6,718 million for the year ended December 31, 2008. On a constant currency basis, net sales increased 2.5% for the fourth quarter and 1.7% for the year.

During the fourth quarter of 2009, the Company settled an outstanding patent infringement lawsuit pursuant to a confidential settlement agreement and will record a gain of $63 million ($43 million net of income taxes). In addition, the Company repatriated $787 million of foreign earnings to the United States and will incur additional income tax expense of approximately $70 million. The repatriated cash was used to fund the acquisition of Ascent Healthcare and will also be used for previously announced initiatives including the share repurchase authorization.

Stryker expects 2009 diluted net earnings per share to be in the range of $2.75 to $2.78 compared to diluted net earnings per share of $2.78 in 2008. Excluding the impact of the patent litigation gain, the income tax expense associated with the repatriation of foreign earnings, and previously announced restructuring charges, adjusted diluted net earnings per share for 2009 are expected to be in the range of $2.94 to $2.96, an increase of 4% to 5% over adjusted diluted net earnings per share of $2.83 in 2008.

2009 Sales Analysis

Domestic sales were $1,159 million for the fourth quarter and $4,317 million for the year ended December 31, 2009, representing increases of 2.7% and 0.8%, respectively. International sales were $676 million for the fourth quarter, representing an increase of 14.6% and were $2,406 million for the year ended December 31, 2009, representing a decrease of 1.2%. The impact of foreign currency comparisons to the dollar value of international sales was favorable by $73 million in the fourth quarter and unfavorable by $110 million for the year ended December 31, 2009. On a constant currency basis, international sales increased 2.2% in the fourth quarter and 3.3% for the year ended December 31, 2009.

Worldwide sales of Orthopaedic Implants were $1,116 million for the fourth quarter and $4,120 million for the year ended December 31, 2009, representing increases of 9.7% and 3.8%, respectively. On a constant currency basis, sales of Orthopaedic Implants increased 4.7% in the fourth quarter and 5.7% for the year ended December 31, 2009. Worldwide sales of MedSurg Equipment were $719 million for the fourth quarter representing an increase of 2.5% and were $2,603 million for the year ended December 31, 2009, representing a decrease of 5.4%. On a constant currency basis, sales of MedSurg Equipment decreased 0.7% in the fourth quarter and 4.1% for the year ended December 31, 2009.

You should read the preceding discussion of our expected 2009 results in conjunction with Management s Discussion and Analysis of Financial Condition and our historical consolidated financial statements, including the related notes, in each case, in our Annual Report on Form 10-K for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in the accompanying prospectus.

Non-GAAP Financial Measures

The Company makes references in this Recent Developments section to the following financial measures: constant currency and adjusted diluted net earnings per share. These financial measures are an alternative representation of the Company s past and potential future operational performance and do not replace the presentation of the Company s reported financial results under U.S. generally accepted accounting principles (GAAP). The Company has provided these supplemental non-GAAP financial measures because they provide meaningful information regarding the Company s results on a consistent and comparable basis for the periods presented. Management uses these non-GAAP financial measures for reviewing the operating results of its business segments, for analyzing potential future business trends in connection with its budget process and bases certain annual bonus plans on these non-GAAP financial measures. In order to measure the Company s sales performance on a constant currency basis, it is necessary to remove the impact of changes in foreign currency exchange rates which affects the comparability and trend of sales. Constant currency results are calculated by translating current year results at prior year average foreign currency exchange rates. In order to measure the Company s earnings performance on a consistent and comparable basis, the Company excludes the restructuring charges recorded in 2009 and 2008, the additional income taxes associated with the repatriation of foreign

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earnings recorded in 2009 and the gain recorded pursuant to a confidential patent infringement settlement agreement recorded in 2009, each of which affects the comparability of operating results and the trend of earnings. In addition, the Company believes investors will utilize this information to evaluate period-to-period results on a comparable basis and to better understand potential future operating results. The Company encourages you to review its consolidated financial statements and other publicly filed reports in their entirety and not to rely solely on any single financial measure.

The reconciliation of expected reported diluted net earnings per share to adjusted diluted net earnings per share for the year ended December 31, 2009 is as follows:

		Range	
Reported diluted net earnings per share of common stock	$ 2.75	to	$ 2.78
Restructuring charges	$ 0.12		$ 0.12
Patent litigation gain	$ (0.11)		$ (0.11)
Income taxes on repatriation of foreign earnings	$ 0.18	to	$ 0.17
Adjusted diluted net earnings per share of common stock	$ 2.94	to	$ 2.96
Weighted-average diluted shares outstanding (in millions)	399.4		399.4

The reconciliation of reported diluted net earnings per share to adjusted diluted net earnings per share for the year ended December 31, 2008 is as follows:

Reported diluted net earnings per share of common stock	$ 2.78
Restructuring charges	$ 0.05
Adjusted diluted net earnings per share of common stock	$ 2.83
Weighted-average diluted shares outstanding (in millions)	413.6

The weighted-average diluted shares outstanding used in the calculation of this non-GAAP financial measure are the same as the weighted-average diluted shares outstanding used in the calculation of the reported per share amounts.

Ascent Healthcare Solutions, Inc. Acquisition

On December 31, 2009, we announced the closing of our acquisition of Ascent Healthcare Solutions, Inc. (Ascent), the market leader in the reprocessing and remanufacturing of medical devices in the United States, for $525 million in an all cash transaction. As previously announced, Ascent will become a division of Stryker operating under the MedSurg group of businesses and will continue to be known as Ascent Healthcare Solutions.

Share Repurchase Program

On December 3, 2009, we announced that our Board of Directors authorized the Company to repurchase up to $750 million of our common stock. The manner, timing and amount of any purchases will be determined by the Company s management based on their evaluation of market conditions, stock price and other factors and will be subject to regulatory considerations. Purchases may be made from time to time in the open market, in privately negotiated transactions or otherwise.

Quarterly Dividend

In addition, on December 3, 2009, we announced that our Board of Directors had declared its first quarterly dividend of $0.15 per share payable January 29, 2010 to shareholders of record at the close of business

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on December 30, 2009. We previously announced on October 29, 2009 that our Board of Directors modified our dividend policy to adopt a quarterly payment schedule in lieu of an annual dividend. In conjunction with this modification, our Board of Directors declared a cash transition dividend of $0.10 per share that was paid on December 16, 2009 to shareholders of record at the close of business on November 18, 2009.

Stryker Corporation is a Michigan corporation. Our common stock is listed on the New York Stock Exchange under the symbol SYK. Our principal executive offices are located at 2825 Airview Boulevard, Kalamazoo, Michigan 49002, and our telephone number is (269) 385-2600. Our Internet website address is www.stryker.com. The information contained on our website is not incorporated by reference in this prospectus supplement or the accompanying prospectus.

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The Offering

Issuer	Stryker Corporation
Securities Offered	$ aggregate principal amount of notes, consisting of $ aggregate principal amount of % notes due 2015, which we refer to herein as the 2015 notes, and $ aggregate principal amount of % notes due 2020, which we refer to herein as the 2020 notes and, together with the 2015 notes, the notes.
Maturity	The 2015 notes will mature on , 2015, and the 2020 notes will mature on , 2020.
Interest	Interest on the notes of each series will accrue from , 2010 and will be payable semi-annually in arrears on and of each year, commencing , 2010.
Anticipated Ratings	Moody s Investors Service, Inc.: A3

Standard & Poor s Ratings Services: A+

The credit ratings are made by the rating agencies and not the issuer. An explanation of the significance of ratings may be obtained from the rating agencies. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. The rating of the notes should be evaluated independently from similar ratings of other securities. A credit rating of a security is not a recommendation by the rating agency or the issuer to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

Optional Redemption

We may redeem the notes of either series at our option, any time in whole or from time to time in part, upon not less than 30 days notice by mail, at a redemption price equal to the greater of:

- 100% of the principal amount of the notes being redeemed; and
- the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in this prospectus supplement), plus basis points, in the case of the 2015 notes, and basis points, in the case of the 2020 notes.

We will also pay the accrued and unpaid interest on the notes to the redemption date.

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Repurchase at the Option of Holders Upon Change of Control Repurchase Event	If we experience a Change of Control Repurchase Event (as defined in this prospectus supplement), we will be required to offer to purchase the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest. See Description of the Notes Repurchase at the Option of Holders Upon Change of Control Repurchase Event.
Ranking	The notes will be senior unsecured obligations of the Company and will rank equally with our other existing and future senior unsecured indebtedness. At September 30, 2009, we had approximately $18.1 million of indebtedness outstanding on a consolidated basis, all of which would be structurally senior to the notes.
Certain Covenants	The Indenture governing the notes will contain certain restrictions, including a limitation that restricts our ability and the ability of certain of our subsidiaries to create or incur secured indebtedness. Certain sale and leaseback transactions are similarly limited. See Description of the Notes Certain Covenants.
Use of Proceeds	We estimate that the net proceeds from this offering will be approximately $ after deducting underwriting discounts and our estimated expenses related to the offering. We intend to use the net proceeds for working capital and other general corporate purposes, including acquisitions, stock repurchases and other business opportunities.
Further Issues	We may from time to time, without notice to or the consent of the holders of the notes of any series, create and issue additional debt securities having the same terms (except for the issue date, the public offering price and, in some cases, the first interest payment date) and ranking equally and ratably with the notes of the applicable series offered hereby in all respects, as described under Description of the Notes General. Any additional debt securities having such similar terms, together with the notes of the applicable series offered hereby, will constitute a single series of securities under the Indenture.
Denomination and Form	We will issue each series of notes in the form of one or more fully registered global notes registered in the name of the nominee of The Depository Trust Company, or DTC. Beneficial interests in the notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Clearstream Banking, *société anonyme* and Euroclear Bank, S.A./N.V., as operator of the Euroclear System, will hold interests on behalf of their participants through their respective U.S. depositaries, which in turn will hold such interests in accounts as participants of DTC. Except in the limited circumstances described in this prospectus supplement, owners of beneficial interests in the notes will not be entitled to have notes registered in

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	their names, will not receive or be entitled to receive notes in definitive form and will not be considered holders of notes under the Indenture. The notes will be issued only in minimum denominations of $2,000 and integral multiples of $1,000 above that amount.
Risk Factors	Investing in the notes involves risks. See Risk Factors for a description of certain risks you should particularly consider before investing in the notes.
Trustee	U.S. Bank National Association.
Governing Law	New York.

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Summary Consolidated Financial Information

The following table sets forth our summary consolidated financial information as of and for the fiscal years ended December 31, 2008, 2007, 2006, 2005 and 2004 and as of and for the nine months ended September 30, 2009 and 2008. The information as of and for the fiscal years ended December 31, 2008, 2007, 2006, 2005 and 2004 was derived from our audited annual consolidated financial statements. The information as of and for the nine months ended September 30, 2009 and 2008 was derived from our unaudited interim consolidated financial statements that include, in the opinion of management, all normal and recurring adjustments necessary to present fairly the information for the periods and at the dates presented. The results of operations for the nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year ending December 31, 2009. You should read the following summary consolidated financial information together with Management s Discussion and Analysis of Financial Condition and our historical consolidated financial statements, including the related notes, in each case, in our Annual Report on Form 10-K for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in the accompanying prospectus.

	For the Nine Months Ended September 30,		For The Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
				(In millions)			
Statement of Earnings:							
Net sales	$ 4,889.9	$ 5,000.0	$ 6,718.2	$ 6,000.5	$ 5,147.2	$ 4,608.9	$ 4,017.4
Cost of sales	1,590.5	1,575.4	2,131.4	1,865.2	1,616.6	1,489.2	1,303.8
Gross profit	3,298.4	3,424.6	4,586.8	4,135.3	3,530.6	3,119.7	2,713.6
Research, development and engineering expenses	246.7	268.0	367.8	375.3	324.6	284.7	214.9
Selling, general and administrative expenses	1,877.6	1,977.5	2,625.1	2,391.5	2,047.0	1,839.4	1,655.4
Intangibles amortization	26.7	30.4	40.0	41.4	42.7	47.6	44.6
Other (1)	67.0		34.9	19.8	52.7	15.9	120.8
Total operating expenses	2,218.0	2,275.9	3,067.8	2,828.0	2,467.0	2,187.6	2,035.7
Operating income	1,080.4	1,148.7	1,519.0	1,307.3	1,063.6	932.1	677.9
Other income (expense)	20.4	51.4	61.2	62.8	30.2	4.9	(2.9)
Earnings from continuing operations before income taxes	1,100.8	1,200.1	1,580.2	1,370.1	1,093.8	937.0	675.0
Income taxes	299.4	330.0	432.4	383.4	322.4	304.5	237.0
Net earnings from continuing operations	801.4	870.1	1,147.8	986.7	771.4	632.5	438.0
Net earnings and gain on sale of discontinued operations				30.7	6.3	11.1	2.0
Net earnings	$ 801.4	$ 870.1	$ 1,147.8	$ 1,017.4	$ 777.7	$ 643.6	$ 440.0
Financial and Statistical Data (end of period):							
Cash and marketable securities	$ 2,929.4	$ 2,207.5	$ 2,195.5	$ 2,410.8	$ 1,414.8	$ 1,056.5	$ 349.4
Property, plant and equipment, net	954.1	992.8	963.8	991.6	914.9	796.3	670.2
Total assets	8,459.2	7,574.6	7,603.3	7,354.0	5,873.8	4,992.5	4,120.0
Long-term debt, including current maturities	18.1	21.2	20.5	16.8	14.8	231.6	10.0
Shareholders equity	6,440.9	5,745.1	5,406.7	5,378.5	4,191.0	3,300.2	2,788.2